

HOUSE BILL REPORT

HB 1894

As Reported by House Committee On:
Financial Institutions & Insurance

Title: An act relating to the development of policies regarding the marketing or merchandising of credit cards to students at the state's institutions of higher education.

Brief Description: Placing restrictions on the marketing or merchandising of credit cards to students at the state's institutions of higher education.

Sponsors: Representatives Chase, Strow, Williams, Kirby, Ericks, Ormsby, Morrell and Haigh.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/16/05, 2/24/05 [DPS].

Brief Summary of Substitute Bill

- Requires state institutions of higher education to develop policies regarding the marketing or merchandising of credit cards to students.
- Requires that an institution consider registering credit card marketers, limiting the times and locations of marketing, and prohibiting material inducements to complete credit card applications.
- Requires the policies inform students about good credit management practices.
- Requires that the policies are made available to all students upon request.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kirby, Chair; Ericks, Vice Chair; Roach, Ranking Minority Member; Newhouse, Santos, Schual-Berke, Serben, Simpson and Williams.

Minority Report: Do not pass. Signed by 1 member: Representative Tom, Assistant Ranking Minority Member.

Staff: Jon Hedegard (786-7127).

Background:

Current law does not restrict the marketing of credit cards on the campuses of institutions of higher education.

Current law defines "institutions of higher education" as "the state universities, the regional universities, the Evergreen State College, the community colleges, and the technical colleges."

Summary of Substitute Bill:

Each state institution of higher education is required to develop policies regarding the marketing or merchandising of credit cards to students on their campus or property. Each school is responsible for developing its own official policies. In developing the policies, an institution must consider student comments.

The policies must consider and make decisions regarding:

- the registration of credit card marketers;
- limitations on the times and locations of marketing; and
- prohibitions on material inducements to complete credit card applications.

The policies must include:

- a requirement that marketers inform students about good credit management practices through programs developed in concert with the institution of higher learning; and
- a requirement that makes the institution's official credit card marketing policy available to all students upon request.

The provisions do not apply:

- to newspapers, magazines or other similar publications; and
- within a financial services business regularly doing business on the institution's property.

Substitute Bill Compared to Original Bill:

The substitute bill allows credit card marketers to offer a student material inducements to complete a credit card application if the student has been provided educational literature. The examples of good credit management programs are no longer specified. The good credit management programs must be developed in concert with the institution of higher learning.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) This is a serious issue. In the 1990s, students borrowed as much money as the students from the 1960s, 1970s, and 1980s combined. Some schools loose more students to credit card debt than due to academics. The students are offered enticements to

take out cards with high interest rates. These "premiums" include posters, shirts, and expensive sunglasses. Students need to be educated about credit card debt. The schools don't have policies on the subject. Developing a policy on the subject would be a good first step for the schools. Credit card companies used to restrict eligibility based on the credit worthiness of the borrower. Today, cards are issued to everyone and bankruptcies are a common occurrence. Credit card debt is a huge problem on campuses. The constant barrage of advertising has increased the number of borrowers. The increased debt has made it harder for the students to focus on academics and student life. The card marketers often work with alumni associations. The bill doesn't have a fiscal impact. The bill protects students.

(With concerns) Individual schools should make individual choices. Each school may have a different contract with a credit card company based on different needs. State schools may be more likely to have a contract with a credit card company than a private school. The school or the school's alumni association receive needed funds for allowing or aiding the marketing efforts.

Testimony Against: None.

Persons Testifying: (In support) Representative Chase, prime sponsor; Tom Brandt and James Evans, students of Washington State University.

(With concerns) Erin Walker, MBNA America.

Persons Signed In To Testify But Not Testifying: None.